



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 12th day of June, 2000

Essential air service at

AMOOK BAY, ALASKA
KITOI BAY, ALASKA
MOSER BAY, ALASKA
OLGA BAY, ALASKA
PORT BAILEY, ALASKA
PORT WILLIAMS, ALASKA
SEAL BAY, ALASKA
WEST POINT, ALASKA
ZACHAR BAY, ALASKA

Docket OST-00-6945 and

EAS:

233

250

263

327

333

under 49 U.S.C. 41731 *et seq.*

ORDER SELECTING CARRIER AND AMENDING ESSENTIAL AIR SERVICE
DEFINITIONS

Summary

By this order we are selecting Redemption Air, Inc., d/b/a Island Air to provide essential air service (EAS) at Kodiak Bush for \$125,774 annually, and modifying the EAS determinations for Moser Bay, Olga Bay, Port Bailey, and Zachar Bay, Alaska.

Background

On February 15, 2000, Peninsula Airways, Inc., filed a 90-day notice of its intention to suspend its service at 11 Kodiak Bush communities. Peninsula has provided subsidized EAS at 8 of these communities and subsidy-free service at the remaining three communities--Alitak/Lazy Bay, Port Bailey, San Juan/Uganik--for a number of years. The subsidy-free service has been provided as an adjunct to Peninsula's being selected to provide subsidized service at the other 8 communities. Peninsula is currently providing subsidized EAS pursuant to Order 98-3-5, and the service levels are as follows:

	Weekly Round Trips, <u>Peak Season</u>	Weekly Round Trips, Off- <u>Peak Season</u>
<u>Community</u>		
Amook Bay	Two	One
Kitoi Bay	Two	One
Moser Bay	Three	Two
Olga Bay	Three	Two
Port William	Two	One
Seal bay	Two	One
West Point	Two	One
Zachar Bay	Two	One

After Peninsula filed notice to suspend service, the Department issued Order 2000-2-30 prohibiting Peninsula from suspending its service at the 11 Kodiak Bush Points, and requesting proposals for replacement service.¹ In response to that request for proposals two carriers, Island Air and Andrew Airways, submitted proposals.

Carrier Proposals

The proposals of Island Air and Andrew Airways are identical in terms of frequency of service and number of intermediate stops, and virtually identical in terms of their routings.² Each carrier's proposal contemplates being allowed to make flag-stops at San Juan/Uganik and Alitak/Lazy Bay, with the associated costs and revenues of making those stops excluded, parallel to the historical costing methodology agreed to between the Department and Peninsula. At Port Bailey, both carriers indicate that they would require subsidy support at this heretofore subsidy-free community in view of the closure of a cannery. Each carrier proposes to provide one round trip per week in the off-peak period to each community. All of the communities would receive two round trips per week in the peak period except Moser Bay and Olga Bay, which would receive three.

The differences between the carriers' proposals lie in the amount of subsidy each requested and aircraft type they have proposed. Andrew Airways has proposed use of a 6-passenger DeHavilland Beaver aircraft, and requests \$168,829 annual subsidy. Island Air proposes to use a 4-seat Cessna 206, and requests \$125,774 annual subsidy. Either carrier's aircraft would accommodate historical traffic at reasonable load factors.

Community Comments

On May 2, 2000, we sent a letter to the State of Alaska summarizing the carriers' proposals and requested comments, including our intent to modify EAS determinations at some of the communities to conform to more recent subsidized service levels. On May 12, 2000, the State of Alaska submitted its response. The state endorsed the service levels we had

¹ So that Peninsula could be compensated during the carrier selection proceedings, we issued Order 2000-3-4 setting a final annual rate for Peninsula of \$224,829 from February 1, 2000, when Peninsula's prior rate expired, until further Department action.

² See Appendix B for Island Air's proposed routing.

negotiated with the two carriers. The state expressed concern that Island Air does not have facilities at the Kodiak airport (ADQ), nor does it currently operate float equipment. They requested that we address these concerns in the event we selected Island Air. Otherwise, the state did not recommend that we select one carrier or the other. We also received a letter from Munsey's Brown Bear Camp of Amook Bay, supporting the selection of Andrew Airways, because of their good experience with Andrews' charters into Amook, including its on-time operations, its experienced and professional pilots, and the excellent condition of its aircraft. The carrier selection decision is now before us. In response to the State of Alaska's suggestion, we have contacted both Kodiak airport officials and the incumbent carrier, Peninsula Airways. Peninsula indicates that facilities at Kodiak would be available to Island Air, and that it would be relatively easy for Island Air to acquire the float/amphibious equipment it proposes and would require for service to these water points.

Decision

Both carriers have a good deal of experience in operating in the vicinity of Kodiak, and both propose aircraft appropriate for the size of the markets and the operating conditions there. We believe that either operator would provide reliable service to the communities. The state has not recommended one carrier over the other, although we did receive a letter in support of Andrew from one community. In these circumstances the decision hinges on the subsidy requirements, and for that reason, we will select Island Air.

Amendment of Essential Air Service Determinations

The essential air service for these communities has not been reviewed since Order 92-5-2 was issued. We have reviewed the historical traffic generated at these points, along with the comments of the state, and we will modify the essential air service determinations. All of the determinations are based on service with small aircraft—ten seats or fewer. We are modifying EAS definitions to the levels shown in Appendix D.

Changes in EAS from the current level are as follows: at Moser Bay and Olga Bay we are reducing the off-peak guarantee from two round trips per week to one; at Olga Bay we are reducing the number of intermediate stops allowed from three to two; at West Point we are reducing the number of intermediate stops allowed from four to two; at Zachar Bay we are increasing the number of round trips guaranteed each week during the peak period from one to two. Finally, at Port Bailey, we are decreasing guaranteed service from six scheduled and six flagstop round trips per week in the peak to two round trips per week, and from two round trips per week to one per week in the off-peak.

Carrier Fitness

49 U.S.C. 41738 and 41737(b) require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. The Department has discussed the fitness of Island Air with the Federal Aviation Administration (FAA). Based on our review, we find that Island Air has adequate financial and managerial resources to maintain reliable service at Kodiak Bush, and that it possesses a favorable compliance disposition. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Island Air is fit. Based on the above, we find that Island Air is fit

to provide the essential air transportation at issue in this case. Island Air remains subject to the Department's continuing fitness monitoring.

As a final matter, before Peninsula suspends service, we expect it to make every effort to ensure an orderly transfer of service at the communities, including notifying all passengers holding reservations on its flights that the service will be suspended, informing them of the availability of replacement service by Island Air, and assisting them in arranging alternative transportation.³

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department selects Redemption Air, Inc., d/b/a Island Air to provide essential air service at Kodiak Bush, Alaska, for the two-year period, beginning when the carrier inaugurates its proposed service, through July 31, 2002;
2. The Department sets the final rate of compensation for Island Air for the provision of essential air service at the 9 Kodiak Bush, Alaska, communities, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible flights completed each month between each Kodiak Bush community shown in Appendix C and the hub of Kodiak. Island Air has indicated that it would operate service to either the municipal (KDK) or state (ADQ) airport, depending on community wishes, and we expect it to abide by that promise;⁴
3. This rate is in lieu of, and not in addition to, that set by Order 2000-3-4;
4. We find that Island Air, continues to be fit, willing, and able to provide reliable air service;
5. We rely on Island Air to provide subsidy-free essential air service to Alitak/Lazy Bay and San Juan/Uganik;
6. We direct Island Air, to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

³ Pursuant to 49 U.S.C. 41734, we will continue to require Peninsula to maintain its existing service until Island Air inaugurates its full service pattern.

⁴ See Appendix C for calculations.

7. We amend the essential air service determinations for Moser Bay, Olga Bay, Port Bailey, West Point, and Zachar Bay, as discussed in the order, to the levels shown in Appendix D;

8. This docket will remain open until further order of the Department; and

9. We will serve a copy of this order on the Alaska Department of Transportation, Andrew Airways, and Island Air.

By:

A. Bradley Mims
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

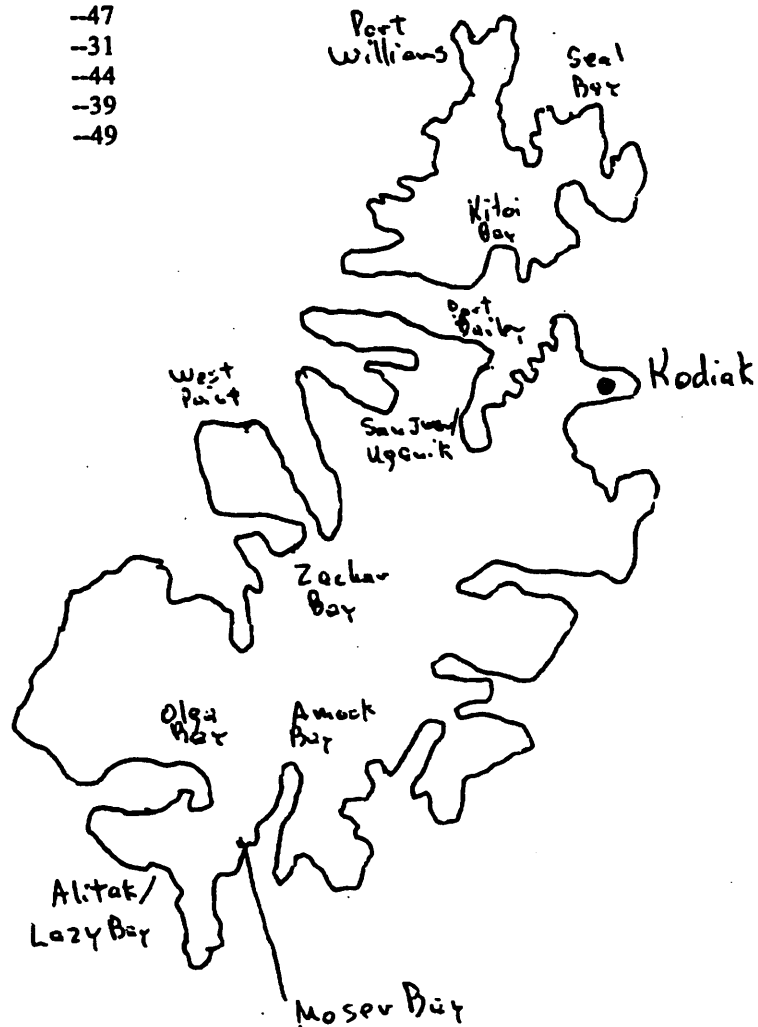
*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

Appendix A

Communities Requiring Service with Amphibious Aircraft on Kodiak Island

Nonstop Mileages to Kodiak:

1. Alitak/Lazy Bay	-89
2. Amook Bay	-54
3. Kitoi Bay	-31
4. Moser Bay	-80
5. Olga Bay	-77
6. Port Bailey	-24
7. Port Williams	-47
8. San Juan/Uganik	-31
9. Seal Bay	-44
10. West Point	-39
11. Zachar Bay	-49



Appendix B

Island Air's Annual Subsidy Need at 9 Kodiak Bush Points, Docket 6945

Aircraft Type	C-206
Flt. Hours 1/	448
Passengers	\$68,784
Cargo	\$6,960
Mail	<u>\$21,009</u>
Total Revenue 2/	\$96,753
Flt. Crew @ \$100/hr.	\$44,800
Fuel & Oil @ \$2.25/gall., 16 gph, and oil.	\$17,472
Maintenance @ \$40/hr.	\$17,920
Hull & Liability Insurance @ \$50/hr. (\$25,000/500 hrs.)	\$22,400
A/C Lease (\$34,260/500 hrs.)	<u>\$30,697</u>
Total Directs	\$133,289
Indirects @ 59% of Directs	\$78,641
Operating Expense	\$211,930
Return @ 5%	<u>\$10,597</u>
Economic Cost	\$222,527
Annual Subsidy Need	\$125,774

1/ Off-peak, 34 weeks	Hours	Deps./Week
ADQ-KOY-(alz)-KMY-ADQ; (45+10+45)min. x 1x 34weeks	57	3
ADQ-KKB-SYB-KPR-ADQ; (20+18+12+36) x 1 x 34	49	4
ADQ-KZB-AOS-ADQ; (30+10+36) x 1 x 34	43	3
ADQ-KPY-(ugi)-KWP-ADQ; (20+18+22) x 1 x 34	34	3
Peak, 18 weeks	183	13 x 2 directions x 34 weeks = 884 flts.
ADQ-KOY-(alz)-KMY-ADQ; (45+10+45)min. x 3x 18 weeks	90	3
ADQ-KKB-SYB-KPR-ADQ; (20+18+12+36) x 2 x 18	52	4
ADQ-KZB-AOS-ADQ; (30+10+36) x 2 x 18	46	3
ADQ-KPY-(ugi)-KWP-ADQ; (20+18+22) x 2 x 18	36	3
	224	13 x 2/week x 2 directions x 18 weeks = 936 flts.
Totals:	<u>407</u>	

Note: Stops at UGI and ALZ are permitted but the associated costs and revenues are not included.

Note: 10 Percent additional time is added for weather diversions and for aircraft being grounded by weather.

2/	Pax.	Rate	Revenue	Cargo Lbs.	Rate	Revenue	Mail Lbs.	Rate	Revenue
AOS	40	\$68.20	\$2,728	3,500	\$.40	\$1,400	4,000	\$.6052	\$2,421
KKB	40	\$54.55	\$2,182	400	\$.35	\$140	4,000	\$.4969	\$1,988
KMY	190	\$109.12	\$20,733	4,000	\$.45	\$1,800	3,000	\$.7277	\$2,183
KOY	150	\$109.12	\$16,368	1,000	\$.45	\$450	0	\$.7136	\$
KPR	60	\$72.75	\$4,365	1,500	\$.40	\$600	6,000	\$.5723	\$3,434
SYB	110	\$63.65	\$7,002	2,000	\$.35	\$700	5,000	\$.5581	\$2,791
KPY	15	\$65.00	\$975	1,000	\$.40	\$400	3,000	\$.4639	\$1,392
KWP	110	\$55.15	\$6,067	200	\$.35	\$70	10,000	\$.5346	\$5,346
KZB	<u>120</u>	<u>\$69.70</u>	<u>\$8,364</u>	<u>3,500</u>	<u>\$.40</u>	<u>\$1,400</u>	<u>2,500</u>	\$.5817	<u>\$1,454</u>
	835		<u><u>\$68,784</u></u>	17,100		<u><u>\$6,960</u></u>	37,500		<u><u>\$21,009</u></u>

**ISLAND AIR, ESSENTIAL AIR SERVICE AT
AMOOK BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than one intermediate stop for each fully compensable Kodiak-Amook Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Peninsula and Island Air should coordinate the carrier transition, which we expect to occur within two months.

² Annual compensation of \$125,774 divided by 1,820 estimated annual completed flights at a 100 percent completion factor. For calculation of annual flights, see Appendix B for weekly service and calculation of annual flights.

³ Subsidy rate per flight of \$69.11 multiplied by four flights in each direction in the peak and two flights in each direction in the off-peak.

**ISLAND AIR, ESSENTIAL AIR SERVICE AT
KITOI BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Kitoy Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

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³ Subsidy rate per flight of \$69.11 multiplied by four flights in each direction in the peak and two flights in each direction in the off-peak.

**ISLAND AIR, ESSENTIAL AIR SERVICE AT
MOSER BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 3 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Moser Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$414.66	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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**ISLAND AIR, ESSENTIAL AIR SERVICE AT
OLGA BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 3 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Olga Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$414.66	\$138.22

NOTE

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**ISLAND AIR, ESSENTIAL AIR SERVICE AT
PORT BAILEY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Port Bailey round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

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EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Port Williams round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Peninsula and Island Air should coordinate the carrier transition, which we expect to occur within two months.

² Annual compensation of \$125,774 divided by 1,820 estimated annual completed flights at a 100 percent completion factor. For calculation of annual flights, see Appendix B for weekly service and calculation of annual flights.

³ Subsidy rate per flight of \$69.11 multiplied by four flights in each direction in the peak and two flights in each direction in the off-peak.

**ISLAND AIR, ESSENTIAL AIR SERVICE AT
SEAL BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-Seal Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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**ISLAND AIR, ESSENTIAL AIR SERVICE AT
WEST POINT, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of two intermediate stops for each fully compensable Kodiak-West Point round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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³ Subsidy rate per flight of \$69.11 multiplied by four flights in each direction in the peak and two flights in each direction in the off-peak.

**ISLAND AIR, ESSENTIAL AIR SERVICE AT
ZACHAR BAY, ALASKA, DOCKET OST-6945**

EFFECTIVE PERIOD: Start of service through July 31, 2002. ¹

SCHEDULED PASSENGER SERVICE: 2 round trips per week peak (18 weeks) and 1 round trip per week off-peak (34 weeks) to Kodiak. There may be no more than a total of one intermediate stop for each fully compensable Kodiak-Zachar Bay round trip.

AIRCRAFT TYPE, Seats Assigned: Cessna 206, 4 seats.

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT IN EACH DIRECTION: \$69.11 ²

	<u>Peak</u>	<u>Off-Peak</u>
<u>COMPENSATION CEILING EACH WEEK:</u> ³	\$276.44	\$138.22

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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Appendix D

Amended Essential Air Service Determinations for Kodiak Bush

<u>Community</u>	<u>Peak Period Round Trip</u>	<u>Off-Peak Round Trips</u>	<u>Intermediate Stops</u>	<u>Aircraft Size</u>
Moser Bay	Three	One	Two	Small
Olga Bay	Three	One	Two	Small
Port Bailey	Two	One	Two	Small
West Point	Two	One	Two	Small
Zachar Bay	Two	One	Two	Small